Pioneer AMT-Free Municipal Fund

Performance Analysis & Commentary | December 2017

Fund Ticker Symbols: **PBMFX** (Class A); **PBYMX** (Class Y)

amundipioneer.com

Fourth Quarter Review

- The Fund's Class A shares returned 1.24% at net asset value in the fourth quarter, and Class Y shares returned 1.30%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index, returned 0.75%.
- Duration positioning was the largest positive contributor to the Fund's benchmark-relative performance during the fourth quarter, as we continue to maintain a longer duration than the benchmark. (Duration is a measure of the sensitivity of the price, or the value of principal, of a fixed-income investment to a change in interest rates, expressed as a number of years.)
- With the final passage of tax reform legislation in the US near the end of the quarter, a layer of uncertainty was removed from the municipal market, leaving investors, both corporate and individual, to sort out the impact.
- As we head into 2018, we continue to believe municipal investment-grade bonds remain attractive relative to Treasuries and corporate bonds.

The fourth quarter of 2017, like the fourth quarter of 2016, featured events that had a material impact on the municipal bond market. At the end of 2016, the municipal market was plagued by uncertainty following the US presidential election, while the end of 2017 saw a market reaction to the potential effects of tax reform legislation in the US, which was passed and signed into law shortly before the end of the calendar year.

The most significant aspect of the tax reform bill that will affect municipal bonds was the elimination of advanced-refunding bonds. These pre-refunded bonds account for 15% to 20% of all municipal issuance, and the municipal market felt an immediate jolt after the tax bill became law, as approximately $40 billion of bond supply, which normally would have been issued in the first half of 2018, was pulled forward and instead issued in December. In fact, December 2017 municipal issuance set an all-time record of $64 billion, surpassing the old record of $55 billion issued in December 1985 just prior to the enactment of President Reagan's sweeping tax reform legislation in 1986. Total municipal supply came in at $146.7 billion during the fourth quarter, up by 60% from the third quarter's $91.5 billion.

Despite the significant increase in supply, investment-grade municipal bonds, as measured by the Bloomberg Barclays Municipal Bond Index, returned 0.75% for the quarter. The long end of the municipal curve outperformed the short end of the curve over the three-month period, and for the full calendar year, investment-grade municipals returned 5.45%.

With the exception of the 30-year Treasury, interest rates rose during the quarter, with the expectation for continued Federal Reserve (Fed) rate increases contributing to a significant flattening of the yield curve. Two-year Treasury yields rose from 1.48% to 1.89% over the three-month period, 10-year yields rose modestly, from 2.33% to 2.41%, and 30-year yields declined from 2.86% to 2.74%.

Municipal fund flows, although down from the prior quarter, remained positive in the fourth quarter, as the high level of tax-equivalent yields available on municipals, relative to other fixed-income assets, continued to be a catalyst for demand. With 10-year and 30-year municipal-to-Treasury ratios at above 80% and 90%, respectively, the municipal bond market continues to attract investors who may not even stand to benefit from the tax-exempt nature of municipal bonds, as elevated ratios and historically low default rates are attractive when global interest rates remain low. The municipal/Treasury ratio has historically been one of the more reliable measures of municipal bond valuation. Given that US Treasuries are taxed and municipal bonds are not, municipal yields in general should be lower than 100% of US Treasury yields because investors typically require higher yields as an incentive to put their money in Treasuries.

Sector Allocation and Security Selection

Duration positioning was the largest positive contributor to the Fund's benchmark-relative performance during the fourth quarter, as we continue to maintain a longer duration than the benchmark. Sector allocation was the second biggest contributor to positive benchmark-relative performance, as the Fund benefited from exposures to tobacco and education bonds.

The primary negative detractor from the Fund's benchmark-relative returns in the fourth quarter was the portfolio's exposure to bonds issued by the Commonwealth of Puerto Rico. By the end of the period, the Fund held only a small allocation to Puerto Rico general obligation bonds (0.12% of the portfolio), which have an 8% coupon and mature in 2035. Given the long process of restoring infrastructure and rebuilding the island in the wake of Hurricane Maria, we would continue to expect short-term fluctuations in bond pricing. We are maintaining exposure to the Puerto Rico bonds in the Fund's portfolio, and do not feel pressure to sell them based on "urgent" news stories. The bonds originally defaulted in July of 2016, as expected; therefore, we do not expect to see an impact on the Fund's distributions. The 8% general obligation bonds are currently subject to bankruptcy proceedings in a US federal court, and we continue to believe they remain at the top of the Commonwealth's capital structure.

During the quarter, we continued to favor owning revenue bonds in the Fund's portfolio. Revenue bonds are, by definition, secured by income-producing facilities of the borrower. General obligation bonds, or bonds secured by municipal tax revenue, comprised 26% of the portfolio as of the end of the three-month period. However, we believe investment opportunities may exist from time to time in the general obligation bonds of municipalities with balanced budgets, and without significantly unfunded pension obligations.

Current Outlook and Positioning

We believe low supply and continued demand will be a key theme for the municipal bond market in 2018. As mentioned earlier, with many issuers pulling refunding deals forward into December 2017 in the wake of the new tax law, combined with the elimination of advanced-refunding bonds, we feel there will be a drag on municipal supply going into the second quarter of 2018. Estimates from some analysts are for supplies to be as low as $270 billion, significantly less than the $439 billion in 2017.

With the final passage of tax reform legislation in the US near the end of the quarter, a layer of uncertainty was removed from the municipal market, leaving investors, both corporate and individual, to sort out the impact. With a lower corporate tax rate, demand for municipals from banks and property/casualty insurers may decrease as the companies weigh the risk/reward of holding municipal bonds versus corporate bonds. It is possible, however, that municipal bonds will continue to appeal to life insurers given the bonds' higher-quality and long durations.

For individuals, the tax reform bill caps allowable deductions of state and local taxes (SALT) on their federal tax returns, which should impact investors in higher-tax states such as California and New York. The combination of lower federal deductions and high local taxes may drive investors into state-specific municipal funds and individual bonds in the short term. In addition, the impact of low supply and high demand should drive up municipal bond prices in those states. A possible longer-term impact of the capping of SALT deductions would be a migration of residents from higher-tax states into neighboring lower-tax states, as lower-tax states such as Texas and Florida may begin to look more attractive as tax havens. That would enhance the ability of lower-tax states to maintain stable and balanced budgets.

Defaults in the municipal bond market are expected to remain low overall. In fact, the current 25-year default average for investment-grade municipal bonds is very low, at just 0.6%, a rate second only to U.S. Treasuries. Many expect that number to decrease even further if the US economy – and state and local balance sheets – continue to improve. Given the high credit quality and low historical default rate of municipal bonds, any market weakness resulting from external events could increase demand and support the asset class, thus providing opportunities for tax-exempt investors.

In summary, as we head into 2018, we continue to believe municipal investment-grade bonds remain attractive relative to Treasuries and corporate bonds. As noted earlier, 10-year and 30-year municipal/Treasury ratios are above 80% and 90%, respectively, and so the municipal space continues to entice investors who may not even benefit from the tax-exempt nature of municipal bonds. Even though the Fed is tightening monetary policy and the European Central Bank is reducing its bond-purchasing program, global yields remain low overall, and that continues to attract non-traditional buyers to the municipal space as they seek opportunities based on the attractive yields and relative safety provided by the historically low default rate of the municipal asset class.

In that environment, we believe investment-grade municipals with strong fundamentals should continue to be preferred.

As of December 31, 2017, the largest sector weights in the portfolio were to education (24%), local general obligation bonds (15%), health care (13%), and industrial development revenue/pollution control revenue (10%).

Massachusetts, California, Texas, Virginia, and Washington represented the Fund's largest state exposures as of quarter-end.

Approximately 77% of the Fund's investments were allocated to bonds rated "A" or higher by Moody's as of quarter-end.

The Fund normally will not invest in securities that pay interest that could be susceptible to the Federal Alternative Minimum Tax (AMT), and did not own any bonds that may be subject to the AMT as of December 31, 2017.

Performance Review

Pioneer AMT-Free Municipal Fund's Class A shares returned 1.24% at net asset value in the fourth quarter, and Class Y shares returned 1.30%, while the Fund's benchmark, the Bloomberg Barclays Municipal Bond Index, returned 0.75%.

Average Annual Total Return (Class A shares)

December 31, 2017	(at NAV)	(at POP)	Bloomberg Barclays Municipal Bond Index
1 year	6.56%	1.73%	5.45%
3 years	3.48%	1.91%	2.98%
5 years	3.57%	2.62%	3.02%
10 years	4.95%	4.46%	4.46%

Average Annual Total Return (Class Y shares)

December 31, 2017	(at NAV)	Bloomberg Barclays Municipal Bond Index
1 year	6.84%	5.45%
3 years	3.77%	2.98%
5 years	3.84%	3.02%
10 years	5.21%	4.46%

Expense Ratios (As of prospectus dated May 1, 2017)

Class A shares: Gross, 0.81%

Class Y shares: Gross, 0.64; Net, 0.55%%

Call 1-800-225-6292 or visit amundipioneer.com for the most recent month-end performance results. Current performance may be lower or higher than the performance data quoted.

The performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate, and shares, when redeemed, may be worth more or less than their original cost.

NAV results represent the percent change in net asset value per share. Returns would have been lower had sales charges been reflected. POP returns reflect deduction of the maximum 4.50% sales charge at the beginning of the period. All results are historical and assume the reinvestment of dividends and capital gains. Other share classes are available for which performance and expenses will differ.

The net expense ratio reflects the contractual expense limitation currently in effect through May 1, 2018, for Class Y shares. There can be no assurance that Amundi Pioneer will extend the expense limitation beyond such time. Please see the prospectus and financial statements for more information.

Performance results reflect any applicable expense waivers in effect during the periods shown. Without such waivers Fund performance would be lower. Waivers may not be in effect for all funds. Certain fee waivers are contractual through a specified period. Otherwise, fee waivers can be rescinded at any time. See the prospectus for more information.

A Word about Risk:

When interest rates rise, the prices of fixed-income securities in the Fund will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the Fund will generally rise.

Investments in the Fund are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations.

At times, the Fund's investments may represent industries or industry sectors that are interrelated or have common risks, making it more susceptible to any economic, political, or regulatory developments or other risks affecting those industries and sectors.

The value of municipal securities can be adversely affected by changes in the financial condition of municipal issuers, lower revenues, and regulatory and political developments.

A portion of income may be subject to local, state, federal, and/or alternative minimum tax. Capital gains, if any, are subject to a capital gains tax.

These risks may increase share price volatility.

The Bloomberg Barclays Municipal Bond Index is an unmanaged, broad measure of the municipal bond market. Index returns are calculated monthly, assume reinvestment of dividends and, unlike Fund returns, do not reflect any fees,expenses or sales charges. It is not possible to invest directly in an index.

The views expressed in this commentary are those of the portfolio manager, and are subject to change at any time. These views do not necessarily reflect the views of Amundi Pioneer or others in the Amundi Pioneer organization, and should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any Amundi Pioneer investment product.

Securities Discussed

	% of Portfolio as of December 31, 2017
Commonwealth of Puerto Rico, 8.00%, 7/1/35	0.12%

Top 10 Holdings

		% of Portfolio as of December 31, 2017
1.	Massachusetts Health & Educational Facilities Authority, 5.50%, 7/1/32	1.76%
2.	Tobacco Settlement Financing Corp., Virginia, 5.00%, 6/1/47	1.42%
3.	Golden State (CA) Tobacco Securitization Corp., 5.125%, 6/1/47	1.20%
4.	Dallas (TX) Area Rapid Transit, 5.00%, 12/1/33	1.04%
5.	University of Virginia, 4.00%, 4/1/45	0.97%
6.	Los Angeles County (CA) Metropolitan Transportation Authority, 5.00%, 7/1/30	0.95%
7.	State of Washington, 5.00%, 7/1/30	0.94%
8.	Texas Private Activity Bond Surface Transportation Corp., 7.00%, 6/30/40	0.90%
9.	Massachusetts Development Finance Agency, 5.00%, 7/1/31	0.88%
10.	Forsyth County (GA) Water & Sewerage Authority, 5.00%, 4/1/41	0.88%